

This letter discusses the taxability of artwork. See 86 Ill. Adm. Code 130.1910. (This is a GIL.)

January 14, 2004

Dear Xxxxx:

This letter is in response to your letter dated November 6, 2003, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC is a STATE corporation engaged in the manufacturing and distribution of carpeting and hand-crafted area rugs. We are registered with the state of Illinois for sales and use tax collection/reporting purposes.

Brief Description of Products and Services

Hand Crafted Rug Division -When a customer places an order for a hand-crafted rug, they periodically request preliminary graphic artwork that represents how the final product will look. This rendering artwork is intended to be used by our customer as a selling tool for their client. Our customer is ultimately the end user of the artwork and as such does not resell the item to their client. As a result, renderings are taxable items regardless of the customer's sales/use tax registration status within their respective state.

I am requesting informal rulings on the following issues:

1. Confirmation of the taxability of our renderings; the artwork constitutes tangible personal property.

2. Confirmation that the tax responsibility rests with our customer due to the nature of the artwork's use as a selling tool and that the artwork cannot be considered a resale item.

Currently, my customer in CITY, Illinois has disputed the validity of sales/use tax charged to their company for renderings purchased from our company. I am requesting these rulings to justify the charges.

You may contact me at the number below if you need any further clarification or information on this matter.

You requested information regarding the taxability of artwork. Please see 86 Ill. Adm. Code 130.1910.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk